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Kenneth Rust
Director, Federal Regulatory Affairs



EX PARTE OR LATE FILED

October 14, 1999

Ex Parte

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

RECEIVED
OCT 14 1999
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: **CC Docket No. 96-45**

Dear Ms. Salas:

Pursuant to 47 C.F.R. § 1.1206(b)(1), Bell Atlantic makes formal notification of *ex parte* presentations in the item captioned above. In a series of 3 meetings held yesterday and today, Don Evans and Frank Gumper, representing Bell Atlantic, met with Sarah Whitesell, Legal Advisor to Commissioner Tristani, Linda Kinney, Legal Advisor to Commissioner Ness, and Dorothy Attwood, Legal Advisor to Chairman Kennard. The attached material was used during each of the meetings.

Any questions on this matter should be referred to me at either the address or telephone number shown above.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ken. Rust".

Attachment

cc: D. Attwood
L. Kinney
S. Whitesell

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List ABCDE

Non-Rural Universal Service

Bell Atlantic

Non-Rural Universal Service

- Current Universal Service Support:
 - Total Universal Service Fund = \$1.7 Billion
 - Total Non-Rural Company Universal Service Funding = \$80 Million
- Fund Size Would Increase Dramatically if Applied to Rural Carriers*:
 - Non-Rural \$400 Million
 - Rural \$2.6 Billion
 - Total \$3 Billion

*(HCPM - State Responsibility + Hold Harmless)

Non-Rural Universal Service

- Proposed Non-rural Universal Service Support Results in Irrational Distribution of Funding.
 - Two States Receive Approximately 50% of Non-Rural Fund.
- If the Distribution Problem Has Resulted in Adjustments to the Model, the Altered Model Must Be Put Out For Public Comment.

Non-Rural Universal Service

- HCPM “Not Ready For Prime Time”:
 - Model structure doesn’t replicate a real network.
 - Assumes a hypothetical network that is instantaneously deployed (ignores future growth)
 - Ignores or underestimates actual costs (e.g., depreciation, rights-of-way, upgrades and replacements)
 - Geographic disaggregation produces unrealistic results.
 - Does not include wireless alternative.
- Model should continue to be viewed as a work-in-progress.

Non-Rural Universal Service

- Despite Model Problems, If the Commission Needs to Address Non-Rural Universal Service Now, Then:
 - Should commence a gradual phase-in of new funding
 - Phase-in new funding over 3-4 years.
 - Year 1 @ 15 - 20% of increment.
 - Should commence a gradual phase-out of hold-harmless support
 - Begin in year 2.
 - Clearly state the model is being used for large geographical areas and not appropriate for small geographical areas.